



WEALTH SECURITIES

Backed by a research group of analysts with over 25 years of experience in equity securities

Consistently ranked among the top 20 brokerages in the Philippines since opening in 1986

Recipient of the Euro Money Award for Excellence as the "Best Domestic Securities House in the Philippines"



THE WEALTH VAULT

A Product of Wealth Securities, Inc.

TUESDAY, 31 January 2012

Index	Value	Change	% Chg	
PSEi	4,644.49	35.40	0.7564	↓
All Shares	3,147.46	21.45	0.6769	↓
Financials	1,042.90	0.66	0.0632	↓
Industrial	7,173.99	195.35	2.6508	↓
Holding Firms	3,691.93	29.39	0.7898	↓
Property	1,664.03	0.38	0.0228	↓
Services	1,731.16	2.89	0.1672	↑
Mining & Oil	25,806.60	286.09	1.0964	↓

JANUARY

31

2012

WORLD INDICES

Dow Jones	12,653.70	-6.74
FTSE 100	5,671.09	-62.36
NIKKEI 225	8,793.05	-48.17

TRADING SNAPSHOT

Index Movers	Points
Energy Development Corp.	-17.36
SM Investments Corp.	-6.22
First Gen Corp.	-4.23
PLDT	+3.85
Philex Mining	-2.58

Index Out-performers	Up
JG Summit Holdings	1.29
Aboitiz Power	0.84
SM Prime Holdings	0.66
PLDT	0.51
SM Development Corp.	0.14

Index Under-performers	Down
Energy Development Corp.	10.16
First Gen Corp.	9.97
Philex Mining	2.54
SM Investments Corp.	1.93
Meralco	1.82

CALENDAR

Jan 19	Dec'11 BOP Position, GIR, and NIR
Jan 19	Monetary Stance Press Release
Jan 25	FGEN ASM
Jan 31	Dec'11 Template on Inter'l Res., Foreign Exch. Liquidity



PSEi Index

30 Jan 2011:	4,644.49	- 35.40
Value T/O, net	Php	4,579 million
52-week High	4,747.90	
Low	3,705.18	
Foreign Buying:	Php	3,407 million
Foreign Selling:	Php	3,809 million



HEADLINES

US stocks edge lower as Greek government fails to reach agreement with creditors

➤ US stocks declined slightly on Monday (Jan 30) as Greek debt talks stalled. All three major indices ended red with the Dow declining 0.05%; the S&P, 0.25%; and the Nasdaq, 0.16%. Stocks fell more than 1% early in the session as the Greek government failed to reach an agreement with its private bondholders over the restructuring of 200B euros of debt. Losses were however pared down later in the session as optimism that the good economic outlook in the US can offset troubles in Europe. Still, financials were the biggest drag yesterday as Bank of America fell 3%. Material, technology and telecom related stocks on the other hand led the late turnaround suggesting the US market is showing resilience and is starting to decouple from the European market. European stocks were down more than 1% yesterday with the FTSE 100, CAC 40, and the DAX declining 1.09%, 1.60% and 1.04% respectively.

GDP growth slows to 3.7% in 2011

➤ The NSCB reported yesterday that the Philippine economy grew by just 3.7% in 2011 compared to 7.6% in 2010 amid external economic woes, government under spending on infrastructures, and decline in exports. This is lower than the government's target of 4.5-5.5%. For the fourth quarter alone, GDP grew 3.7% amid government efforts to increase spending. This is slightly higher than the adjusted 3Q GDP growth of 3.6%. Data from the NSCB showed that public construction was the biggest drag in the country's GDP as it declined by 29.4% for the full year. Public construction nonetheless picked up in the fourth quarter due to a delay in the implementation of PPP projects. The decline in public construction was however partially offset by good performance by the service sector which accounted for more than half of the country's GDP. The service sector grew 5% YoY and 5.9% for the fourth quarter.

Globe Telecom signs US\$90M loan with China Bank to partially fund 2012 capex

- In a press release, Globe Telecom announced that it signed a 10-year US\$90M floating rate term loan facility with China Bank to partially fund capital expenditures for 2012. Set expenditures for this year include the company's US\$790M investment for its 5-year network modernization and IT transformation program which aims to boost voice and data capacity in anticipation of the growing demand for broadband and mobile data use. Of the said amount Globe is aiming to spend US\$640M for 2012 and 2013. Globe added that Fitch ratings upgraded its long term foreign and local currency IDRs to BBB- from BB+ with a stable outlook and it had a debt to equity ratio of 1.04 as of end-September 2011.

BPI posts P12.8B net income in 2011

- The Bank of the Philippine Islands announced that its profits rose by 13% YoY to P12.8B in 2011 driven by increases in its interest and non-interest income. This translated to an ROE and ROA of 15.2% and 1.6% respectively. BPI's total revenues grew by 7% as net interest income and non-interest income grew 10% and 3% respectively. The Bank's loan portfolio increased by 20% over the previous year, reaching P453B, while its NPL ratio fell further to 1.9% from 2010's 2.1%. Operating expenses increased 12% brought mostly by salary related increases.

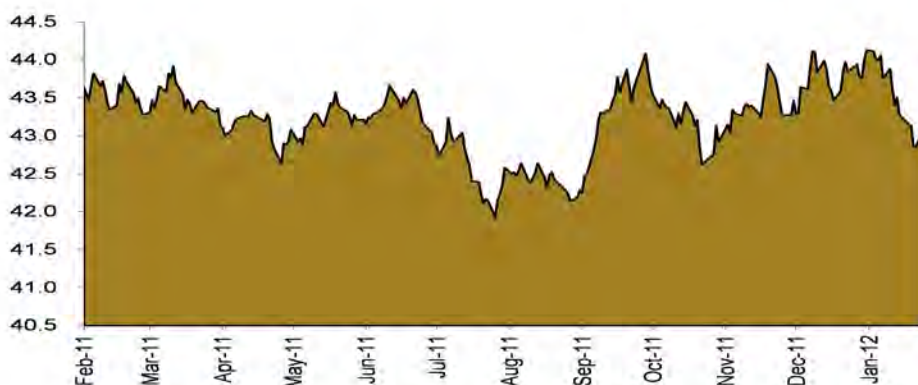
Union Bank posts 23% increase in profits

- Aboitiz-led Union Bank of the Philippines announced that its profits rose 23% to P6.595B in 2011 compared to P5.353B in 2010. Its non-interest income jumped 56% to P9.56B lifted by trading gains which amounted to P5.40B (+89% YoY). Income from service charges, fees and commissions also increased 24%. UBP's interest income however declined by 1.29%. Loans and receivables increased by 11% while its expenses rose 26%.

BacMan geothermal plant delayed to September

- EDC confirmed reports that it expects to complete the rehabilitation work of the BacMan geothermal plant by September. The plant was originally scheduled to run by July of last year but the company said that more issues were needed to be addressed before the plant can run properly.

Php versus US\$: 1-Year Price Chart



Source: Philippine Dealing and Exchange Corp.

CURRENCIES

US, Dollar	42.859
Japan, Yen	0.5592
UK, Pound	67.4472
Hong Kong, Dollar	5.5269
EU, Euro	56.6982
Bahrain, Dinar	113.721
Saudi Arabia, Rial	11.4281
China, Yuan	6.7612

As of 1/30/2011

COMMODITIES

NYMEX		
Crude	99.56	-0.14
Futures		
NY Gold		
Spot (\$/t oz.)	1,733.40	0.53
Silver Comex		
(\$/t oz.)	33.94	1.56
London		
Copper Spot	8,511.25	-0.77

As of 1/27/2011



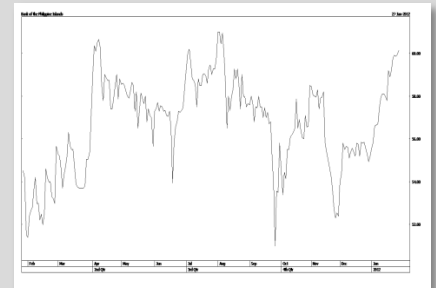


Bank of the Philippine Islands (BPI)

Reiterate Buy

Company Snapshot

Price (P)	60.20
Price Target (P)	73.00
Shares O/S (million)	3,556
Market Cap (P million)	214,093
52-week High (P)	61.20
Low (P)	50.00
12-mo Avg. Value T/O (P/m)	97.262
Shareholders	
Ayala Corporation	21.8%
Ayala DBS Holdings	21.3%
Free float	42.4%



Price Performance

	1m	6m	12m
BPI	+9.1%	0.8%	+11.1%
PSEi	+6.2%	3.1%	+17.0%

Steady and Strong

- **Strong 2011 Performance.** BPI has consistently been among the industry's best in terms of delivering consistent and profitable bottomline figures. 2011 was no exception, as the bank announced that its unaudited FY2011 Net Income for reached P12.8B (+13.4% YOY).

	FY2010	FY2011A	YOY Change	FY2011E	Variance
Net Interest Income	25.0	27.5	10.0%	29.2	-5.8%
Non-Interest Income	16.5	17.0	3.0%	14.3	18.8%
Operating Expenses	23.5	26.3	12.0%	25.5	3.2%
Provisions for Losses	3.5	2.2	-38.6%	2.5	-14.0%
Net Income	11.3	12.8	13.4%	11.3	13.3%
ROE	15.3%	15.2%		13.4%	
ROA	1.4%	1.6%		1.3%	

Amounts in billion pesos; 2011A figures were derived from latest company disclosure
Sources: Company Data, Wealth Securities estimates

Against our forecasts, BPI surprised positively in terms of delivering solid Non-Interest Income. Net Interest Income, however, was slightly below our forecasts as the effects of the 20% loan growth for 2011 have not been fully felt yet. Moving forward, we expect BPI to continue delivering consistently high levels of profitability and efficiency, with focus on increasing recurring income streams.

- **Maintaining BUY.** We maintain our BUY rating on BPI. We upgrade our target price for BPI from P64.00 to P73.00 based on the bank's continued strong performance. Further, we think that the stock is trading at undemanding valuations, as it is trading well below its peak PBV valuation of 2.76x (which it reached in 2007) even as the PSE Index recently established new all-time highs. At its current price, BPI is only trading at 2012E PBV of 2.15x.

	2009A	2010A	2011A	2012E	2013E
Net Interest Income	22,746	25,022	27,500	31,487	36,785
Non-Interest Income	12,004	14,545	16,995	15,700	16,832
Net Revenues	34,750	39,567	44,495	47,186	53,616
Operating Expenses	21,892	23,506	26,320	25,515	26,111
Provisions for Losses	2,535	3,454	2,150	2,000	2,000
PPOP	12,858	16,061	18,175	21,671	27,505
Net Income	8,665	11,479	12,800	13,770	17,854
ROE	13.2%	15.3%	15.2%	14.3%	16.4%
ROA	1.2%	1.4%	1.6%	1.4%	1.7%

Amounts in billion pesos; 2011A figures were derived from latest company disclosure
Sources: Company Data, Wealth Securities estimates

ND Fernandez

T: 634.5038 local 8152

E: nd.fernandez@wealthsec.com

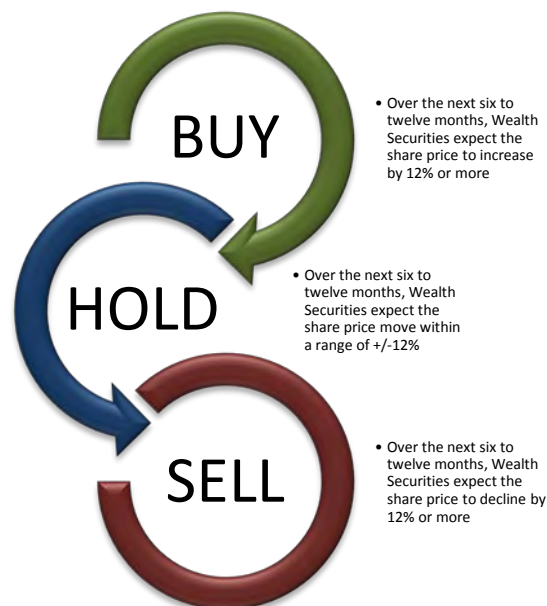
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RATINGS DEFINITION



Jerome Gonzalez
Research Head
T: 634.5038 local 8127
jerome@wealthsec.com

Nikki Yu
Media & Transport
T: 634.5038 local 8150
nikki.yu@wealthsec.com

Bernard Aviñante
Conglomerates & Power
T: 634.5038 local 8121
bernardavinante@wealthsec.com

ND Fernandez
Banking & Telcos
T: 634.5038 local 8152
ndfernandez@wealthsec.com

Miguel Agarao
Mining & Property
T: 634.5038 local 8164
miguel.agarao@wealthsec.com

Kevin Cua
Food & Beverage
T: 634.5038 local 8165
kevin.cua@wealthsec.com



Wealth Securities, Inc.
2103 East Tower, PSE Center,
Exchange Road, Ortigas Center,
Pasig City 1600
Telephone: 02.634.5038
Facsimile: 02 634 5043

www.wealthsec.com